Key House Democrats Assail Attacks on Regulation of Oil Speculation

WASHINGTON (February 29, 2012) – Reps. Ed Markey (D-Mass.), Barney Frank (D-Mass.), Henry Waxman (D-Calif.) and Elijah Cummings (D-Md.) today assailed efforts by financial trade organizations to undermine current law which, if fully implemented, would help to restrict speculation in oil prices. Most economists agree that speculation in oil markets is part of the reason for spikes in the price of oil. Meanwhile, American families and businesses are paying record prices for gas for this time of year, in part due to a “fear premium” placed on the price by speculators’ actions.

House Republicans are also in the process of moving legislation to a vote that would block new rules which would reduce speculation on commodities from going into effect until October of this year.

In response to these attacks on market protections for consumers, the four top Democrats on their respective committees today addressed a letter to Gary Gensler, Chairman of the Commodities Futures Trading Commission to ask for an update on these rules, and for information on how Wall Street has pushed back against the CFTC’s efforts.

That letter can be found HERE.

“Wall Street speculators have turned the oil market into a crude oil casino where the American driver is now on the losing side of the bet,” said Rep. Markey, the top Democrat on the Natural Resources Committee. “We need to end the Wild West mentality of Wall Street that cynically exploits events in the Middle East to drive the price of oil higher than it should be, costing American consumers and businesses billions. Republicans in Congress also need to stop coddling Wall Street speculators and their Washington lobbyists. They should join Democrats in calling for an end to the de facto speculation tax Wall Street operators have levied on American families and businesses at the pump.”

“Outrageously, the industry has gone to court to try to block CFTC rules under the financial reform law that would restrict speculation,” said Rep. Frank, the top Democrat on the Financial

Services Committee. “They make the bizarre claim that they are carrying out the intent of Congress – yes, they are carrying out the intent of those Members of Congress who have opposed any such legislation. But they are blocking implementation of the law which would restrict speculation on commodities like oil.”

“House Republicans have their priorities backwards,” said Rep. Waxman, the top Democrat on the Energy and Commerce Committee. “They should be fighting for American consumers, not the Wall Street banks that want to engage in unregulated speculation in the energy markets.”

“Reigning in excessive oil speculation offers the single most significant opportunity to reduce gas prices for American consumers,” said Cummings, the top Democrat on the Oversight and Government Reform Committee, who released an investigate report in May, *“Real Help for American Consumers: Who’s Profiting at the Pump?”*
, on the growing impact of excessive oil speculation on high gas prices.

The CFTC has been working to establish -- among other rules required by the Dodd-Frank financial reform legislation – so-called “position limits” which restrict the number of commodities contracts trading firms can hold. That reform would limit the ability of Wall Street firms to disproportionately affect the oil market or other commodities by using the volume of contracts held to manipulate prices in a specific direction.

Cummings Issues Report on Increasing Role of Speculation in Higher Gas Prices Rejects “Permitorium” Myth; Calls on Issa to Stand with Consumers and Investigate Who’s Profiting at the Pump

Read the report by the House Democratic Oversight and Government Reform staff: REAL HELP FOR AMERICAN CONSUMERS: WHO’S PROFITING AT THE PUMP?
May 23, 2011 Washington, DC – Today, Ranking Member Elijah E. Cummings called on Oversight Committee Chairman Darrell Issa to work with him to investigate the growing impact of excessive oil speculation on high gas prices. He released a staff report, entitled *“Real Help for American Consumers: Who’s Profiting at the Pump?”*
which finds: “Addressing excessive speculation offers the single most significant opportunity to reduce the price of gas for American consumers.”

The report’s “chief conclusion” is that, in order to make the most significant impact on lowering gas prices, the Committee’s primary focus should be on countering the growing impact of excessive speculation, rather than pursuing the oil industry’s priorities of increasing domestic drilling or repealing safety measures put in place after the devastating BP oil spill.

According to the report, experts estimate that excessive oil speculation could be inflating prices by up to 30%, while increasing domestic drilling would impact prices by only about 1%, and then only after a decade or more. The report comes as the House Oversight and Government Reform Committee prepares to hold a hearing tomorrow on factors affecting gas prices.

"With gas prices skyrocketing to more than $4 per gallon, it is time to stop focusing on advancing the priorities and profits of oil companies and instead find ways to give American consumers relief at the pump," said Ranking Member Cummings. "I call on Chairman Issa to stand with consumers and conduct a responsible, bipartisan investigation into the impact of excessive speculation on high gas prices."

The report reviewed the work of ten different congressional committees, including the Oversight Committee, and analyzed data and information from a number of experts, including industry representatives, government officials, and academics. Below are top line findings from the report:

- Excessive oil speculation could be inflating gas prices by as much as 30%. Countering excessive speculation offers the single most significant opportunity to reduce the price of gas for American consumers.

- Efforts to expand domestic drilling or eliminate safety measures put in place after the devastating BP oil spill would have a negligible impact on gas prices, potentially saving only pennies per gallon even after several decades.

- Despite industry-promoted claims of a "permitorium," or a de facto moratorium on drilling in the Gulf, the reality is that the Administration has approved 14 deepwater drilling permits, 55 shallow water permits, and two new exploration plans *since* the BP oil spill. Initial delays in obtaining permits were a result of efforts to develop technology to prevent and contain the same type of blowout that caused the BP oil spill.

- Despite the worst economic crisis since the Great Depression, oil companies have continued to make the highest profits of any industry in the world. Over the past ten years,

the top five oil companies have made nearly a trillion dollars.
In the first quarter of FY 2011, they reported profits of more than $31 billion—a 32.6% increase over the first quarter of 2010.

- OMB estimates that eliminating unnecessary tax subsidies could save more than $43 billion over the next ten years, and GAO reports that U.S. taxpayers may be foregoing up to $53 billion in revenues from oil companies that drill in the Gulf without paying market-rate royalties.

- Although House Republican leaders have repeatedly expressed support for ending tax subsidies, no-royalty leases, and other favorable treatment for the oil industry, House Republicans have defeated every legislative effort to address these problems that has come before the House in the 112th Congress.